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(HUGEL STATEMENT; WHITE HOUSE REACTION; RULING AGAINST CASEY)

BY PEGGY POLK

WASHINGTON (UPI) -- THE CONTROVERSIAL HEAD OF THE CIA'S COVERT OPERATIONS RESIGNED TUESDAY, ASSERTING THAT PUBLISHED ALLEGATIONS HE HAD ENGAGED IN "IMPROPER OR ILLEGAL" STOCK MARKET PRACTICES MADE IT IMPOSSIBLE FOR HIM TO SERVE EFFECTIVELY.

IN A SEPARATE DEVELOPMENT, IT WAS LEARNED THAT A FEDERAL JUDGE HAS RULED THAT CIA DIRECTOR WILLIAM CASEY, 68, AND SEVEN OTHER MEN KNOWINGLY MISLED INVESTORS IN A NOW-DEFUNCT AGRIBUSINESS FIRM IN NEW ORLEANS. THE CLASS ACTION SUIT WAS FILED IN 1974.

MAX HUGEL, 56, A MEMBER OF THE REAGAN CAMPAIGN STAFF WHO SINCE MAY HAS SERVED AS DEPUTY DIRECTOR OF OPERATIONS IN CHARGE OF CLANDESTINE AGENTS AND OPERATIONS, SAID THE ALLEGATIONS IN TUESDAY'S WASHINGTON POST WERE "UNFOUNDED, UNPROVEN AND UNTRUE."

STANDING OUTSIDE HIS RED BRICK TOWNHOUSE IN SUBURBAN VIRGINIA, HUGEL TOLD REPORTERS, "I'VE DONE NOTHING WRONG," BUT HE DECLINED TO ANSWER QUESTIONS.

HUGEL SAID IN A LETTER TO CASEY, "UNDER PRESENT CIRCUMSTANCES, I FEEL I CAN NO LONGER EFFECTIVELY SERVE YOU OR THE AGENCY."

ACCEPTING THE RESIGNATION "WITH DEEPEST REGRET," CASEY APPOINTED JOHN STEIN, A CAREER INTELLIGENCE OFFICER, AS HUGEL'S PERMANENT REPLACEMENT.

WHITE HOUSE SPOKESMAN DAVID GERGEN DISMISSED REPORTS THAT WHITE HOUSE CHIEF OF STAFF JAMES BAKER HAD TOLD CASEY THAT HUGEL HAD TO GO AS "FLAT WRONG."

GERGEN SAID CIA GENERAL COUNSEL STANLEY SPORKIN HAS BEGUN AN INVESTIGATION INTO THE CASE. HE ALSO SAID CASEY RETAINS PRESIDENT REAGAN'S FULL CONFIDENCE AND THAT REAGAN BELIEVES CASEY, WHO MANAGED HIS 1980 CAMPAIGN, HAS DONE "A FIRST RATE JOB" AS HEAD OF THE U.S. INTELLIGENCE AGENCY.

"THE PRESIDENT WAS SADDENED BY THE EVENTS THAT HAVE LED TO THE HUGEL RESIGNATION," GERGEN SAID, ADDING, "AS FAR AS THE WHITE HOUSE IS CONCERNED, THIS MATTER IS CLOSED."

THE RULING AGAINST CASEY WAS A "SUMMARY JUDGMENT" HANDED DOWN MAY 19 IN U.S. DISTRICT COURT IN MANHATTAN. JUDGE CHARLES STEWART SAID THE DEFENDANTS IN THE CIVIL CASE KNOWINGLY MISLED INVESTORS IN RAISING \$3